

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 923 - SB 1695

March 16, 2009

SUMMARY OF BILL: Requires the State Treasurer to create the K-12 Lottery Capital Outlay Special Account. Requires any funds in excess of \$250,000,000 which remains in the Lottery for Education Account at the end of any fiscal year, including the General Shortfall Reserve Sub-Account and the Special Reserve Sub-Account, to be transferred to the K-12 Lottery Capital Outlay Special Account. Such funds shall be used exclusively for K-12 capital outlay projects for K-12 educational facilities. Requires the Comptroller of the Treasury to develop and administer a grant program for such capital outlay projects.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - Increases the expenditure of lottery proceeds earmarked for scholarships and grants by \$80,000 per year. In addition, a transfer of approximately \$126,300,000 at the end of FY09-10 from the Lottery for Education Account to the K-12 Lottery Capital Outlay Special Account. This transfer would cause a shift of use for such funds from being earmarked for the purpose of providing scholarships and grants to the purpose of funding capital outlay for K-12 school construction.

Assumptions:

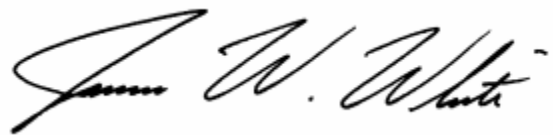
- As of June 30, 2008, there was a cumulative total of approximately \$471,100,000 in the Lottery for Education Account, the General Shortfall Reserve Sub-Account, and the Special Reserve Sub-Account.
- There was approximately \$90,000,000 transferred from the Lottery for Education Account for the purpose of funding the Energy Efficient Schools Initiative at the beginning of FY08-09.
- Based on the range adopted by the State Funding Board, net lottery proceeds for FY08-09 are expected to be \$273,100,000.
- Interest earnings for FY08-09 are expected to be \$17,300,000.
- Based on estimates provided by the Tennessee Higher Education Commission, total expenditures for scholarships for FY08-09 are

estimated to be \$266,100,000; funding for existing Pre-K programs is estimated to be \$25,000,000; and administrative expenses are estimated to be \$4,100,000.

- The cumulative balance in the Lottery for Education Account, the General Shortfall Reserve Sub-Account, and the Special Reserve Sub-Account at the end of FY08-09 is estimated to be \$376,300,000 $[(\$471,100,000 + \$273,100,000 + \$17,300,000) - (\$90,000,000 + \$266,100,000 + \$25,000,000 + \$4,100,000) = \$376,300,000]$.
- Approximately \$126,300,000 would be transferred from the Lottery for Education Account to the K-12 Lottery Capital Outlay Special Account at the end of FY08-09 $(\$376,300,000 - \$250,000,000 = \$126,300,000)$.
- In years subsequent to FY08-09, the cumulative balance of the Lottery for Education Account, the General Shortfall Reserve Sub-Account, and the Special Reserve Sub-Account is not expected to increase or exceed \$250,000,000 because the total recurring revenue into the accounts are expected to be fully utilized for funding existing lottery scholarship programs.
- According to the Office of the Comptroller, one additional position would be required to administer the capital outlay grant program. The recurring costs associated with this position are anticipated to increase the expenditure of lottery proceeds by \$80,000 per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc